

24 July, 1981

Approved For Release 2005/11/28 : CIA-RDP91-00901R000400170010-8

*****0097PK-CASEY: 8071550

News Service

Distribution II GOLDWATER SUGGESTS CASEY RESIGN

BY MICHAEL J. SNIFFEN AND ROBERT PARRY

ASSOCIATED PRESS WRITERS

WASHINGTON (AP) - WILLIAM CASEY'S SIX-MONTH TENURE AS CIA DIRECTOR IS IN GROWING DOUBT AFTER SENATE INTELLIGENCE COMMITTEE CHAIRMAN BARRY GOLDWATER ACCUSED HIM OF DAMAGING THE SPY AGENCY AND PUBLICLY SUGGESTED THAT HE RESIGN.

GOLDWATER ALSO SAID COMMITTEE INVESTIGATORS WERE EXAMINING WHETHER CASEY MISLED THE SENATE DURING HIS CONFIRMATION HEARING IN JANUARY.

IN AN EXTRAORDINARY NEWS CONFERENCE THURSDAY NIGHT IN THE CAPITOL, GOLDWATER SHARPLY CRITICIZED CASEY'S CHOICE OF MAX HUGEL, A NEW HAMPSHIRE BUSINESSMAN WHO HAD WORKED ON THE REAGAN PRESIDENTIAL CAMPAIGN, TO BE THE CIA'S DIRECTOR OF OPERATIONS, A HIGHLY SECRET AND SENSITIVE JOB. CASEY WAS PRESIDENT REAGAN'S NATIONAL CAMPAIGN DIRECTOR LAST YEAR.

"THAT HE (CASEY) APPOINTED AN INEXPERIENCED MAN TO BE IN EFFECT THE NATION'S TOP SPY WAS BAD ENOUGH," GOLDWATER SAID. "I MUST SAY THAT AS A PERSON WITH A LONG INVOLVEMENT WITH INTELLIGENCE MATTERS, THAT WAS A VERY BAD MISTAKE AND I MIGHT EVEN SAY DANGEROUS."

"THE DAMAGE DONE BY MR. HUGEL'S APPOINTMENT IS A SUFFICIENT POSITION FOR MR. CASEY TO DECIDE TO RETIRE OR THE PRESIDENT TO HAVE HIM RETIRE," THE ARIZONA REPUBLICAN SAID.

HUGEL RESIGNED ABRUPTLY LAST WEEK AFTER TWO FORMER BUSINESS ASSOCIATES ACCUSED HIM OF IMPROPER STOCK DEALINGS. HE DENIED THE CHARGES, HOWEVER.

AS RECENTLY AS TUESDAY, GOLDWATER HAD SAID HE BELIEVED CASEY "WILL REMAIN UNLESS WE FIND FURTHER ALLEGATIONS AGAINST HIM IN THE COURSE OF THE INVESTIGATION."

THE SAME DAY, SEN. DANIEL PATRICK MOYNIHAN OF NEW YORK, RANKING DEMOCRAT ON THE INTELLIGENCE COMMITTEE, SAID A CRISIS WAS BUILDING OVER CASEY'S TENURE AND HE WARNED THAT IF THE ADMINISTRATION WAS "NOT GOING TO HELP US ESTABLISH THAT THE DIRECTOR SHOULD NOT RESIGN, THEN THE RESULT WILL BE THAT HE WILL RESIGN."

BUT WHILE CITING GROUNDS FOR CASEY'S REMOVAL THURSDAY, GOLDWATER DENIED A CBS NEWS REPORT THAT HE HAD URGED THE DIRECTOR TO STEP DOWN.

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"AT NO TIME HAVE I SUGGESTED TO MR. CASEY THAT HE LEAVE," THE SENATOR SAID; BUT HE ADDED: "NOW, UNLESS HE'S TAKING A BATH, I'M SURE HE'S HEARD THEM."

GOLDWATER ALSO SAID HE HAD NOT TALKED WITH REAGAN ABOUT CASEY'S STATUS.

"MR. CASEY IS A CREATURE OF THE PRESIDENT," GOLDWATER SAID. "AS LONG AS THE PRESIDENT RETAINS CONFIDENCE IN HIM, HE STAYS."

ONLY WEDNESDAY, REAGAN PUBLICLY DENIED RUMORS THAT CASEY'S RESIGNATION WAS IMMINENT. CASEY ALSO HAS INSISTED HE HAS NO PLANS TO QUIT.

THE INTELLIGENCE COMMITTEE BEGAN ITS INVESTIGATION OF CASEY AFTER HUGEL RESIGNED AND PUBLISHED REPORTS CITED TWO RECENT FEDERAL COURT RULINGS THAT CRITICIZED CASEY'S ROLE IN MULTIPONICS INC., A FAILED NEW ORLEANS FARMING VENTURE.

IN MAY, A FEDERAL JUDGE IN NEW YORK RULED THAT CASEY AND OTHER MULTIPONICS' DIRECTORS HAD KNOWINGLY MISLED POTENTIAL INVESTORS IN THE FIRM. LAST YEAR, A FEDERAL APPEALS COURT IN NEW ORLEANS HELD THAT CASEY AND THE OTHER DIRECTORS HAD DRIVEN THE COMPANY "DEEP AND DEEPER INTO DEBT" BY MANAGING IT IN A "PATTERN OF SELF-INTEREST."

MULTIPONICS FILED FOR REORGANIZATION UNDER FEDERAL BANKRUPTCY LAWS IN 1971, THREE YEARS AFTER CASEY HELPED FOUND IT.

CASEY, 68, HAS DENIED ANY WRONGDOING IN THE MULTIPONICS SUIT OR IN AN ARRAY OF OTHER CIVIL SUITS BROUGHT AGAINST HIM DURING HIS LONG BUSINESS CAREER.

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APX-CASEY; BJT; INSERT; A009;130

WASHINGTON INSERT AFTER 5TH GRAF; GRAFS 7-12 NEW WITH FURTHER WHITE
HOUSE COMMENT; BAKER COMMENT; BACKGROUND

REAGAN "HAS HEARD NOTHING THAT HAS CHANGED HIS MIND" ABOUT THE
CASEY AFFAIR; WHITE HOUSE SPOKESMAN DAVID GERGEN SAID TODAY.

DEPUTY PRESS SECRETARY LARRY SPEAKES SAID WHITE HOUSE CHIEF OF STAFF
JIM BAKER WOULD TALK TO GOLDWATER TODAY TO "SEE WHAT HIS VIEWS ARE"
ON THE SITUATION. GOLDWATER SAID THURSDAY HE HAD NOT YET TALKED WITH
REAGAN ABOUT CASEY'S STATUS.

SENATE MAJORITY LEADER HOWARD W. BAKER JR., R-TENN.; TOLD REPORTERS
HE TALKED TO GOLDWATER ABOUT THE SITUATION EARLY TODAY AND "I WANT
TO BACK UP GOLDWATER IN WHATEVER HE DECIDES TO DO."

CALLING THE CASEY AFFAIR "A SERIOUS MATTER," BAKER SAID: "I
TALKED TO SENATOR GOLDWATER THIS MORNING. I HAVE GREAT CONFIDENCE IN
HIS JUDGMENT AND OPINION AND I AM CONFIDENT HE WILL HANDLE THE MATTER
APPROPRIATELY."

BAKER DECLINED TO SAY WHETHER HE THOUGHT CASEY SHOULD RESIGN.

MUGEL RESIGNED: 6TH GRAF; DELETING GRAFS 11-12; GOLDWATER ALSO XXX
HE STAYS; REDUNDANT

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WILMINGTON EVENING JOURNAL
24 July 1981

CIA's Casey may face criminal probe

By Ralph S. Moyed
and Joe Trento

Staff writers

William J. Casey faced the possibility today of becoming the subject of a criminal investigation as well as the prospect of losing his job as director of the Central Intelligence Agency.

When Sen. Barry M. Goldwater, R-Ariz., chairman of the Senate Intelligence Committee, called for his removal Thursday night, he cited discrepancies in Casey's sworn testimony before the committee. At an extraordinary press conference, Goldwater told reporters the committee would turn the case over to the Justice Department if its staff can't get explanations.

There were broadcast reports that the committee already had contacted the Justice Department for an investigation of possible perjury in Casey's testimony before the committee during his confirmation hearing last January.

President Reagan said today he will meet with senators about Casey. Leaving a Capitol Hill meeting with House Republicans, he again expressed faith in Casey and said: "I have not changed my mind (about supporting him). I'm talking to senators today," he added.

Later, presidential spokesman David Gergen said it may be staff members, rather than Reagan himself, who talk with senators.

Meanwhile, Jack Blake, Intelligence Committee staff director, has requested former colleagues from the CIA's office of security to aid in the investigation of Casey's testimony about his business affairs and his associates, a committee source said.

At the CIA, a separate investigation is being undertaken to determine if any of Casey's associations have violated the agency's regulations, according to a high-level CIA official.

"We're still scrambling around on this entire matter," Dale Peterson, CIA spokesman, said this morning. "We're not ready with any comment as yet," he said.

Goldwater told reporters that Casey had earned dismissal when he appointed a businessman and political friend as the CIA's spymaster.

Moments after Goldwater's statement, Sen. Joseph R. Biden Jr., D-Del., a member of the committee, joined in demanding Casey's removal. He went further than Goldwater, however, declaring that Casey's business dealings establish him as a man who has "skirted the ragged edge of the law."

Using even stronger words, Sen. William V. Roth Jr., R-Del., also a member of the committee, called for Casey's resignation saying, "He has lost all credibility with the Senate Intelligence Committee... Mr. Casey's past associations have compromised his integrity. The good of the nation requires William J. Casey to resign immediately."

The statements followed a day in which the committee staff obtained new and more damaging information on Casey.

The new information, sources said, included confirmation that at least one of Casey's partners in a failed business deal had links to organized crime.

The News Journal reported Saturday that Casey's friend and partner, Carl Biehl, is identified in Justice Department records as an associate of Gulf Coast mob figures.

The White House said it was aware of Goldwater's remarks. There was no immediate response from the CIA.

Other members of the Intelligence Committee said they doubted that Casey could continue running the spy agency without the support of the chairman of the committee that oversees its operations.

CIA sources said Goldwater was motivated in part by reports that the agency's counterparts in friendly nations have stopped sharing information with the CIA because of fears about Casey.

Britain's secret service acted last week to withhold reports from agents in the volatile Middle East, the Evening Journal has learned.

Goldwater concentrated his attack on Casey's appointment of Max Hugel, a New Hampshire businessman who worked for him in the Reagan presidential campaign, to be CIA deputy director in charge of clandestine operations.

"I believe that the placing of Mr. Hugel... was a sufficient mistake for Mr. Casey to consider withdrawing himself or having the president do so," Goldwater told a press conference.

By concentrating on Hugel, Goldwater was offering the White House an easy way out of a growing scandal and attempting to limit political damage to the president, according to sources close to the inquiry.

Biden said he believes most members of the committee, especially Goldwater, favor Deputy CIA Director Bobby Ray Inman as Casey's successor.

The Evening Journal, meanwhile, has learned that Goldwater sent a letter to President Reagan urging Casey's dismissal. Another source said Vice President George Bush, a former CIA director, also had urged Reagan to remove Casey.

At his press conference, Goldwater said "we have some suspicion" that some files it sought from the FBI and the Securities and Exchange Commission are missing.

Casey headed the SEC during the Nixon administration.

Editorial

Mr. Casey's shady past

IF WILLIAM J. CASEY really is clean as a hound's tooth, it is only in that dog-eat-dog world of corporate predators where negotiated settlements are the magic wand that expunges records of wrongdoing with a simple wave.

Mr. Casey is the strangely cast director of the Central Intelligence Agency, a role for which he qualified by running Ronald Reagan's successful 1980 campaign for the presidency. The fact that he served Mr. Reagan well then is not sufficient grounds for believing that he is serving the nation well now. Enough of Mr. Casey's checkered past is still on record to support the idea that what he serves best are the interests of William J. Casey.

Last week, those interests required the sacrifice of a friend, Max Hugel, who was chief of clandestine operations in the CIA. Mr. Hugel had conversations with his friend and boss and then resigned because of charges, which he denied, that he had engaged in improper stock market practices. Mr. Hugel must find it painfully ironic that he should be gone so quickly on the basis of a molehill charge while Mr. Casey, whose alleged improprieties are mountainous by comparison, enjoys the entrenched support of the White House.

Mr. Casey's past admittedly reveals one possible qualification for his position as head of the nation's intelligence organization. He is no stranger to clandestine operations, nor to the sleight-of-hand with which incriminating records and documents can be made to disappear right before the eyes of federal investigators and congressional committees.

The case against Mr. Casey is persuasive. He has settled for \$8,000 out of court a lawsuit accusing him of securities violations. He settled for \$200,000 out of court a perjury conviction with the understanding that the perjury would be erased from the public record. Another suit, charging him with misleading investors, has never been settled. He thwarted congressional

efforts to investigate his role as chairman of the Securities and Exchange Commission by turning possibly incriminating records over to the Justice Department.

Serious allegations of financial misrepresentation, securities violations, concealed conflicts of interest and unethical behavior as a lawyer are dismissed by Mr. Casey's defenders as unimportant. They would have us believe that such are common and ethical practices in the competitive world of financial wheeler-dealers in which Mr. Casey made his fortune.

It is not unimportant that a man with such a past now holds a position in which he is privy to the most sensitive and potentially valuable commercial intelligence. It is outrageous. Even more outrageous is the fact that Mr. Casey's unsuitability for the CIA directorship seems only now to be in jeopardy because of his friendship and business associations with Carl Biehl, a man identified by the Justice Department as an associate of underworld figures in waterfront industries.

We certainly agree that anyone shown to have even indirect associations with underworld figures is unacceptable for a high government position of trust. It is evident, however, that there was sufficient damning evidence of Mr. Casey's personal activities to disqualify him for the responsibility to which President Reagan routinely appointed him.

More damning, however, is the nonfeasance of the Senate in this case. Mr. Casey was an important figure in the Reagan campaign, for which his reward was appointment as director of the CIA. The Senate, in turn, conducted only perfunctory hearings before confirming his appointment. He was, after all, the president's choice. It is clear that Mr. Reagan made an ill-informed choice and placed in a position of particular sensitivity a man who should not have been there for the past five months and who

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Reagan says Casey has no plans to quit

Washington. (AP)—President Reagan says CIA Director William J. Casey has no plans to resign in the face of a Senate investigation into his past business dealings.

Casey, meanwhile, is quoted as saying his opponents are trying to drive him out by spreading false rumors that his departure is imminent.

From the White House to Capitol Hill, the Casey resignation report engulfed Washington Wednesday, only to be dismissed as untrue.

Reagan, entering his limousine after leaving a Capitol Hill reception, was asked if his long-time acquaintance planned to quit. The President stopped, shook his head and mouthed the word "No."

CASEY, WHO HAS been publicly unavailable for a week, was quoted by CBS News as saying he intended to

Multiponics trustee blames Casey and associates for company's woes. Page 16

stay. The network said Casey told one unidentified senator that reports he was leaving were started by people trying to force him out.

The scrutiny of Casey's business dealings follows recent disclosure of two federal court rulings criticizing his role as a director of Multiponics Inc., a failed New Orleans farming venture.

Casey, 68, a self-made millionaire, took the CIA job after running Reagan's campaign last year. He held three top-level jobs during Richard M. Nixon's presidency, including chairmanship of the Securities and Exchange Commission.

CASEY HAS steadfastly denied the charges that his business ethics are questionable and has said the suits involved in the court decisions were the type faced by any successful businessman.

The speculation about Casey's imminent resignation came as the Senate Intelligence Committee staff prepared to investigate the CIA director's business career. Last January, the panel approved Casey's nomination after a hearing lasting only 2½ hours.

"The committee assumed that someone at that level (CIA director) is subjected to an extraordinary and demanding background check," said Sen. Patrick J. Leahy (D-Vt.), a committee member. "That was certainly the case during the Carter and Ford administrations."